Indonesia

FOREIGN MARKET DEVELOPMENT SECTION
RESEARCH BRANCH
TRADE AND INDUSTRY DIVISION
ONTARIO DEPARTMENT OF TRADE AND DEVELOPMENT

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FOREIGN MARKET STUDY

INDONESIA

YCP
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Prepared by:

Foreign Market Development Section
Research Branch
Trade & Industry Division

Ontario dept. Trade and Developm

FOREWORD

Export marketing research is a subject of considerable interest to our Department, to Ontario manufacturers and to businessmen who may be interested in exports. The Foreign Market Studies which are undertaken by our Section, are written for the use of our Trade and Industry Division, and specifically by our Marketing Branch and Trade Mission members. These studies depict the economic background of the countries that will be visited. For this reason our Foreign Market Studies are, in the first instance, working documents designed for the use of the Department and cannot be taken in their entirety as expressing the opinion or position of the Department of Trade and Development.

Equivalents of metric, Imperial and U.S. units of measure

Metric Units	Imperial and U.S. Equivalents	Imperial and U.S. Units	Metric Equivalents
Length -			
1 centimetre (cm)	0.394 inch	1 inch	2.540 cm
1 metre (m)	3.281 feet	1 foot	30.480 cm
	1.094 yard	1 yard	0.914 m
1 kilometre (km)	0.621 mile	1 mile	1609.344 m
	0.539 int. naut. mile	1 International nautical mile	1852.000 m
Area -			
1 square centimetre - cm^2	0.155 square inch	1 square inch	6.451 cm^2
1 square metre - m^2	10.764 square feet	1 square foot	9.290 dm^2
	1.196 square yard	1 square yard	0.836 m^2
1 hectare - ha	2.471 acres	1 acre	0.405 ha
1 square kilometre - km^2	0.386 square mile	1 square mile	2.589 km^2
Volume -			
1 cubic centimetre - cm^3	0.061 cubic inch	1 cubic inch	16.387 cm^3
1 cubic metre - m^3	35.315 cubic feet	1 cubic foot	28.317 dm^3
	1.308 cubic yard	1 cubic yard	0.765 m^3
Capacity -			
1 litre (L)	0.879 Imp. quart	1 Imperial British quart	1.136 L
	1.057 U.S. liq. quart	1 U.S. liquid quart	0.946 L
	0.908 U.S. dry quart	1 U.S. dry quart	1.101 L
1 hectolitre (HL)	21.997 Imp. gallons	1 Imperial gallon	4.546 L
	26.417 U.S. gallons	1 U.S. gallon	3.785 L
	2.749 Imp. bushels	1 Imperial bushel	36.369 L
	2.838 U.S. bushels	1 U.S. bushel	35.239 L
Weight or Mass -			
1 kilogramme (kg)	35.274 av. ounces	1 av. ounce	28.349 g
	32.151 troy ounces	1 troy ounce	31.103 g
	2.205 av. pounds	1 av. pound	453.592 g
		1 centerweight (100 lb.)	45.359 kg
		1 hundredweight (112 lb.)	50.802 kg
1 ton -	1.102 short tons	1 short ton	0.907 t
	0.984 long tons	1 long ton	1.016 t

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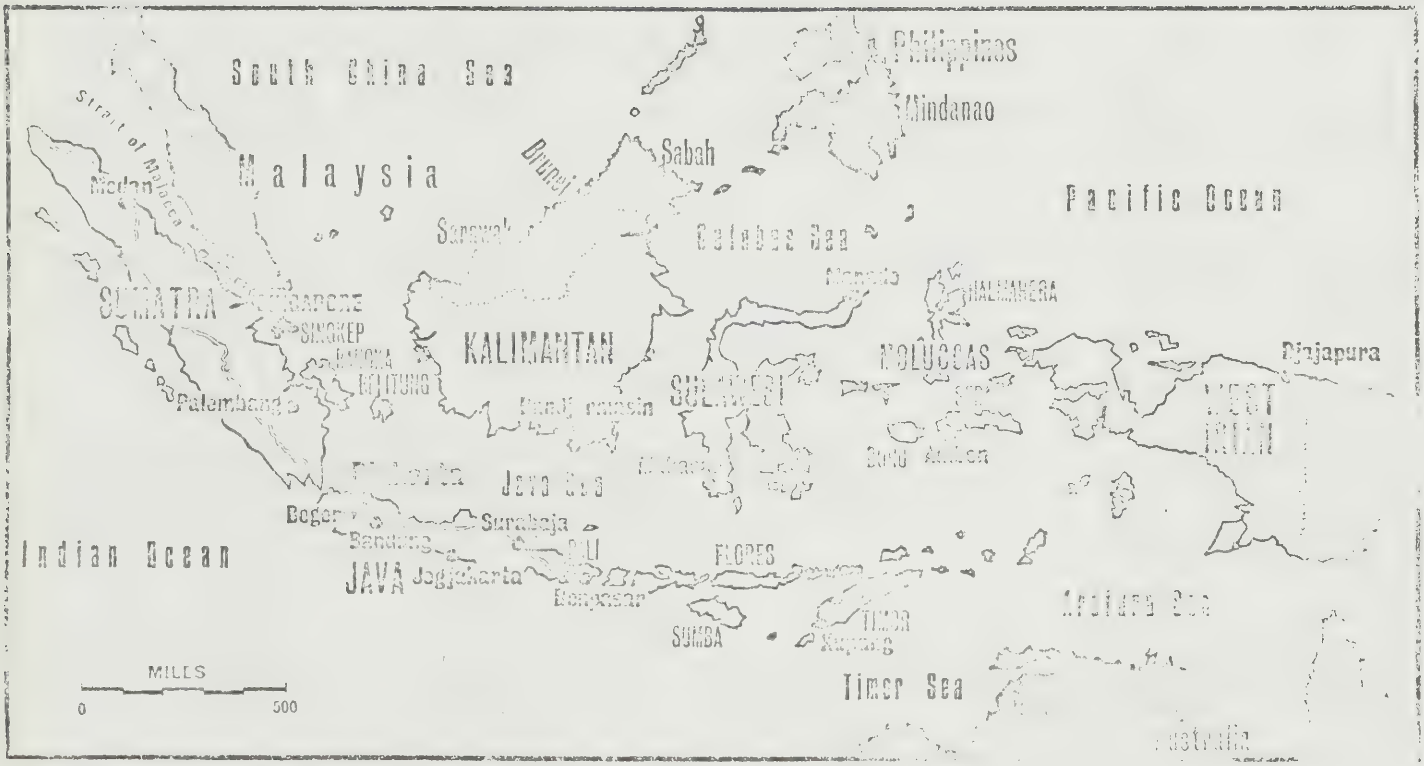
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Strait of Malacca
Malaysia
Medan
Brunei
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Philippines
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Pacific Ocean
Sarawak
Celebes Sea
HALMAHERA
SUMATRA
SINGKEP
BELITUNG
KALIMANTAN
MOLUCCAS
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SULAWESI
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Java Sea
Bogor
Surabaja
Bandung
BALI
FLORES
Indian Ocean
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Jogjakarta
Denpasar
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MARKET INDICATORS

		INDONESIA	CANADA
1.	Population	116 million(1969)	21.4 million(1970)
2.	GNP	$7.13 billion(1969)	$86.47 bill(1970)
	GNP per capita	$61	$4,040
3.	Passenger cars in use	184,000 (1967)	6.43 mill (1970)
	Telephones in use	164,373 (1967)	5.30 " "
	TV sets in use	N/A (introduced in 1962)	5.42 " "
4.	Steel production (million tons)	-	11.1 (1970)
	Cement production (million tons)	545,000 (1970)	7.2 (1970)
	Electricity production (bill. kwh)	1.6 (1967)	203.7 (1970)
	Motor vehicle production (No.)	-	964,800 (1970)
5.	Total Exports	$1.02 billion(69)	$16.5 bill(1970)
	Total Imports	$0.89 " "	$13.9 " "
6.	International liquidity	-	$4.9 billion (July 1971)

INTRODUCTION

Since October 1965, when the regime of former President Sukarno ended, Indonesia has undergone a series of significant economic and political transformation.

The three-year "confrontation" policy against Malaysia was terminated on 11 August 1966, when an agreement between Indonesia and Malaysia was signed in Djakarta. Indonesia's international relations improved considerably since 1966 as well: most of the Western countries, as well as the Soviet Union, have agreed to re-schedule their credit with Indonesia on generous terms, and more importantly to renew aid programs.

In the domestic scene, the Suharto government is succeeding in the control of inflation, and is embarking on a realistic economic development policy. As a result, a sounder, more stable economy is emerging, with healthier domestic production of food and light manufactures and more well-adjusted balance of trade. As a result, foreign investments, which are strenuously encouraged, are coming back to Indonesia, especially in the fields of mining and manufacturing. There is no accurate statistical information on GNP, but it is estimated to be in the neighborhood of $11 billion in 1969, amounting to about $80-$100 per capita. The economic plan for 1969-74, called Repelita, visualizes an over-all economic growth of 5% per annum, with the growth in exports and imports anticipated to be in the neighborhood of 10% and 15% respectively for 1971.

While Canadian and Ontario trade with Indonesia is very small in magnitude, there are promising potential markets in industrial and power machineries, telecommunications equipment, transport and construction equipment, and certain raw materials. The economic plan emphasizes agriculture (particularly food production), infrastructure, mining (especially oil and copper), and agricultural and food-processing machineries and equipment.

GENERAL INFORMATION

1. Geography and Climate

Indonesia consists of four large islands - Java, Sumatra, Borneo and Celebes - and about three thousand medium and small islands. This nation of archipelago stretches over 2,500 miles from east to west along the equator, linking Malaya and Australia. In terms of land area, Indonesia with 1,904,345 square miles, is larger than Pakistan, and ranks as the third largest country is Asia, after China and India. This vast size and geographical fragmentation have posed a major problem in the maintenance of national unity, though the sea works as a convenient link among the innumerable islands. Indonesia, in short, is a country where "the land divides but the sea unites".

The climate varies substantially according to the distance from the equator, nearness to the sea, and topographical conditions. Broadly speaking, the climate is hot and humid in the lowlands and cooler in the highlands, with little seasonal variations in climate. Rainfall is typically heavy, between 70 and 140 inches, and is fairly evenly distributed throughout the year, except in Eastern Java and the Lesser Sunda Islands, where there is a dry season.

Indonesia's population is about 116 million, but it is very unevenly distributed: Java, with the density of about 1,200 persons per sq. mile, is one of the most densely populated places in the world, while there are hundreds of un-populated islands.

People of Indonesia are diverse in origin. Majority of the people are Malay in origin. In the interior and in the eastern archipelago, there are black-skinned, fuzzy-haired people of Papuan and Melanesian stock. About 2 million Orientals, mostly Chinese, are scattered throughout Indonesia, with the largest concentration in Java.

Indonesia has been described as extremely rich in natural resources and extraordinarily fertile for agricultural production. In reality, Indonesia's land fertility is only somewhat above average, the misconception arising from taking Java as being representative, while in fact it is unique. Taking the country as a whole, Indonesia can be described as having reasonably fertile soils, much forest resources, moderate power resources, and considerable and varied mineral resources.

The largest city in Indonesia is Djakarta, with 5.7 million people. Other major cities are Surabaja (1.3 million), Bandung (1.1 million), and Samarang (0.6 million).

2. Human Resources

The estimated population of Indonesia was 116 million in 1969, of whom 64% live in Java and over 16% live in Sumatra. Indonesia has experienced a remarkably rapid population growth; in the beginning of this century, Java, for example, had about 4 million people, but by 1969, its population had increases 18-fold.

The majority of people are Moslems, but there is also about 3 million Christians, about a million Buddhists, and in the island of Bali the main religion is Hinduism.

By January 1, 1965, the country was declared free from illiteracy between the ages of 13 and 45. Bahasa Indonesia is the official language of the Republic, but English is the first foreign language taught in schools.

The population of Indonesia is unevenly distributed, and migration of people has been ragarded as a key measure to overcome this demographic imbalance. However, the results of such measures were not very satisfactory. Only about half a million people migrated between 1950 and 1968, and by 1969, the trend in fact reversed itself: for every two persons leaving the overcrowded Java, three moved in from other islands, attracted by job opportunities and urban life.

Total labor force is estimated at about 49 million persons in 1969, of which about 25% is female. About half of the active labor force is unionized. Four million people are unemployed or underemployed, constituting an unemployment rate of about 9%. The annual increase of the labor force is approximately 1.3 million. Of the employed workers, about 70% worked in the agricultural sector, 10% in mining and manufacturing, and about 20% in services. The level of wage is very low.

3. Constitution and Government

Indonesia was proclaimed an independent republic by Dr. Sukarno on 17 August, 1945. Indonesia has had three constitutions, all of which were provisional. The present constitution provides that the sovereignty is in the hands of the people and is exercised by the People's Consultative Assembly. The executive branch of the government consists of the Presidency, Council of Representatives and the Supreme Advisory Committee. Subsequently, Dr. Sukarno was proclaimed as the President for life. In 1966, after an abortive coup by the PKI (the Indonesian Communist Party), the military government of General T.N.J. Suharto took over from President Sukarno. On May 27, 1968, the Provisional People's Consultative Congress elected General Suharto and his cabinet. The Golkar party of President Suharto was returned to power in the recent election, which took place in July, 1971. The major cabinet members related to trade and development are: President, Prime Minister and the Minister of Defense: General T.N.J. Suharto; Home Affairs: Major General Amir Machmud; Foreign Affairs: Adam Malik; Finance: Dr. Ali Wardhana; Trade and Commerce: Professor Sumitro Djojohadikusomo; Industry: Major General Mohamnad Jusuf; Agriculture: Professor Thojib Hadiwijaja; and Mining: Professor Sumatri Brodjonegroro.

STRUCTURE OF THE ECONOMY

1. General

Indonesia is still overwhelmingly agricultural: some 70% of her inhabitants are engaged in agricultural production, and agriculture accounts for over 50% of the Indonesian national income. The most prominent place in the economic development planning is accorded to rice production and industries related to the production of agricultural machines. Public expenditures for this purpose is increasing: the provisional estimate of outlays in 1970/71 is 40% higher than the figure of 1969/70. It is hoped that the production of rice will increase from 12 million tons in 1968 to 15.4 million tons in 1971/72, through the use of better irrigation systems, more fertilizers, and improved strain of seeds.

Indonesia had been beset by serious inflation for years. But the tight money policy of the present regime has largely succeeded in comparatively stable prices: the money supply, which had been expanding at an alarming rate, was largely controlled by the end of 1969, and the cost of living rose only a modest 10% in 1969, compared to the previous year's 115%.

In order to establish a secondary manufacturing sector to provide employment for its large labor force, and to end overdependence on the exports of raw materials, the Indonesian authorities are encouraging both resource development and processing. In the connection, a major effort is being made to attract foreign investments in mining and manufacturing industries.

The gradually stablilizing price levels and the more tranquil political situation are contributing to an increase in foreign investments as well as aids. In 1969, total foreign aid was $500 million, which included $135 million in food assistance. Capital inflow required during 1969-74 is estimated to be US$3,549 million. Distribution of domestic products are shown in the following table.

GROSS DOMESTIC PRODUCT
('000 million Rupiahs at 1960 market prices)

	1960	1967	1968
Gross Domestic Product	390.2	448.3	477.8
of which:			
Agriculture	210.4	232.1	247.1
Mining	14.4	16.7	19.7
Manufacturing	32.6	37.5	40.8
Construction	7.9	7.3	9.2
Transport and Communications	14.5	15.7	15.4
Wholesale and Retail Trade	55.8	70.8	76.1
Ownership of Dwellings	7.7	8.8	9.4
Public Administration and Defence	17.6	25.0	25.0
Other Services	24.3	28.8	29.4

Note: US$1.00 = 277 Rupiah (1968)
Source: Europa Yearbook

Foreign economic assistance is a significant factor in the Indonesian economy. The IGGI (The Inter Governmental Group on Indonesia) calculated that the requirement for non-food aid for the year ending on March 31, 1971, at US$460 million, and the estimated food aid requirement was estimated at US$140 million. Also, loans and credits on generous terms are being granted by such agencies as the IDA, World Bank, International Finance Corp., ADB, and other private as well as public agencies to help Indonesia establish its social framework and major economic undertakings.

2. Agriculture, Fishery and Forestry

Agriculture is the most important sector in the Indonesian economy. About 70% of Indonesia's population is engaged in agriculture, and it accounts for over 50% of her national product. Consequently, it figures most prominently in the government's economic plans: the largest amount of budget fund is allocated to agriculture in the state budget. A substantial amount of the estimated 319 billion rupiahs to be spent on agriculture during the planning period of 1969/70 to 1973/74, is to be used to increase the output of agricultural staples for domestic use, especially rice, vegetables, meat and dairy products. Increased production of rice is particularly emphasized, because some $152 million of the total food imports of about $200 million are accounted for by rice. Increase in production is expected to be achieved through the use of more fertilizers expanding the cultivated acreage by 1.7 million hectares, and high-yielding seeds. The Plan visualizes a rise in rice production from the annual target of 10.5 million tons in 1969 to 15 million tons in 1973.

The productivity of Indonesia's agricultural sector is still relatively low. However, over the last decade the relative position of agricultural sector in the Indonesian national income at factor costs has improved, surpassing the improvements in Indonesia's industrial production. The population increase in Indonesia has put a pressure on the production of foodstuffs. Population pressure is so strong, in fact, that some economists regard the most urgent problem of the Indonesian economy is not industrialization but how to provide sufficient food for the subsistence of its population.

In projecting the future demand for food, the United Nations Food and Agriculture Organization took three factors into consideration: the size of population, the income elasticity of demand for food, and the degree of

urbanization. As Indonesia has a large, un-urbanized population whose per capita income is low, it was concluded that the demand for food production will be proportional to the increase, in GNP*. From this result, it was concluded that even if per capita income remains the same, the demand for food will increase by 24-51% between 1965 and 1980, solely due to population increase.

Indonesia's agricultural production units are oganized in two ways: estate (plantation) and small-holding. Many of the large estates are publicly owned. Most of the large-scale plantations are engaged in the production of commercial crops such as sugar cane, rubber, coffee, palm oil, capok, copra, hardrope fibres, tobacco, cinchona, cassava, cocoa, pepper, etc.

* In a high income country, demand for food does not increase in proportion to GNP, since the proportion of income spent on food declines as GNP rises.

The main agricultural products are as follows:

Principal Agricultural Crops, 1967-69

	1967	1968	1969
		000 tons	
Rice	17,632	19,881	20,766
Maize	2,510	3,055	2,284
Sweet Potatoes	2,218	2,282	1,904
Cassava	10,621	11,072	10,874
Soya Bean	406	389	416
Ground Nuts	245	273	273

Source: Europa Yearbook

3. Industry

Prior to the Second World War, the Indonesian economy had only a handful of secondary manufacturing industries, including sugar refineries, natural rubber processing plants, fishing firms and timber mills. Since independence, secondary manufacturing industries have been high on the list of development planning: at present (1969), industrial workers account for about 16% of the labor force in urban areas. In rural areas, this proportion drops to about 4%, with the over-all share of industrial employment in the neighborhood of 10%. As briefly described in previous sections, food processing and forest-based industries are by far the most important, though oil refining, agricultural machinery and chemical fertilizers are rapidly gaining in importance. Under the Repelita (5-year plan introduced in 1969), over 400

projects to build heavy industrial enterprises, introduced by ex-president Sukarno, were abandoned because of their lack of economic merit. Instead, over 100 investment projects were inaugurated in the first 20 months, amounting to over $380 million since capital is scarce in Indonesia, foreign investment is actively encouraged with a number of incentives. The main problem in inducing foreign capital has been, and to some extent still is, one of confidence in the stability of the political and economic climate, though the former is considerably improved as a result of President Suharto's election. The arrest of inflationary tendencies have also increased confidence in the determination and ability of the present government to maintain economic order. In addition, the Indonesian government introduced (in 1967) a measure to return nationalized enterprises to their former foreign owners, to exempt profits and dividends from taxation, to guarantee the transfer of profits and to provide for compensation in the event of renationalization. As a further measure to encourage investment in manufacturing industries, imports of a wide variety of tools, machinery and equipment for new industrial plants are exempt from duties.

For the 5 year period covered by the Repelita, the total capital inflow is estimated to be $3,549 million.

The amounts of intended foreign capital expenditures for 1971 are as follows:

Mining excluding oil	$ 535 million	(44%)
Forestry	$ 378 million	(31%)
Industry and services	$ 261 million	(21%)
Natural oil	$ 100 million	(8%)
Estates and fishery	$ 44 million	(4%)

Source: Far Eastern Economic Review, 1971 Yearbook

During the first year of Repelita, which ended on March 31, 1970, industrial development proceeded in a relatively stable environment. Priority was given to industries that are based on agriculture or are supporting agricultural production. For the first time, industrial development was viewed in its proper perspective, as a process of growth with many facets, such as production, financing, marketing, infrastructure, taxes and duties, management and organization, and competition.

The principal emphasis in Indonesia's development policies, like that of so many other developing countries, is in establishing labor-intensive industries which make use of the natural resources that exist in abundance locally. In the case of Indonesia, petrochemicals, aluminum, pulp and paper, furniture, rubber products, and food processing are the most promising. Also with great potential are fishing and fish-products industries, as Indonesia's abundant marine resources are relatively undeveloped.

Growth had been especially spectacular in petrochemicals, with a rapid increase in oil mining. The PT (limited liability company) Semen Gresik is beginning its trial operation in 1971, and is designed to produce 65,000 tons of urea fertilizer and 110,000 tons of ZA. Fertilizer production was planned at 100,000 tons during the first year of the Repelita, but in fact only 85,445 tons were produced. The only plant in operation is the PT (state enterprise) Pupuk Sriwidjaja (or PT Pussi), financed partly through the credit from I.D.A. ($30 million) and A.D.B. ($10 million), the United States ($20 million) and Japan ($8 million). Its full capacity is expected to be 480,000 tons per year. This, and the projected output of the new Gresik, together with a major reduction in fertilizer imports, should result in substantial savings in foreign exchange. A superphosphate plant in Tjilatjap (Central Java) did not materialize, but negotiations are underway for a new project, in co-operation with the Soviet Union.

The growth of the textile industry has been remarkable: output increased from 225 million metres in 1967 to 315 million metres in 1968, or by 40% increase. In 1969, the increase was 32% over 1968, amounting to 415 million metres. Production continued to expand in 1970, and new plants such as Bandung's Bandjaran Spinning Mill (inaugurated by President Suharto in October 26, 1970), were added. Textile yarn output in 1970 was 200.2 thousand bales, exceeding the planned goal of 170 thousand bales. The Indonesian textile industry employs about 750,000 people, and is one of the most important branches of the economy.

Cement production is expected to grow quickly, and offers a promising market for cement mixers, grinding machines and other related equipment. Great demand for cement exists in housing, hotel-building and harbor and road building industries. Domestic production rose by 32.7% in 1969-70 to 545 thousand tons; this only satisfies two-

thirds of the demand. Main producers are PT Semen Gresik, PN Semen Padang, and PN Semen Tenasa, with rated capacities of 375 thousand, 120 thousand, and 120 thousand tons per year, respectively. The great market potential makes cement production an attractive venture and credits are being provided by the U.S. and Danish governments. Discussions are underway to build a new cement plant in Tjibinong, and the Kayser Cement, Gypsum Corporation, Bank of America, International Finance Corporation and PT Semen Gresik are participating in these deliberations. It is expected that, if all these investments are realized, Indonesia's annual cement production would reach 1.34 million tons by the end of the Repelita (1973-74).

Compared to 1968-69, the development in the chemical industry was more favorable. Outputs of glass, carbon oxide and oxygen exceeded the targets set in the Repelita. Two large tire plants achieved a combined capacity of 541,000 tires and 429,000 inner tubes for motor vehicles, and 4,870,000 tires and 2,100,000 inner tubes for bicycles, though outputs were still below capacity. On March 12, 1970, President Suharto commissioned a detergent factory in Djakarta, the first of its kind in Indonesia. This plant - Unilever Indonesia - is financed by Unilever's Investment of $8 million, after the previously nationalized company was returned to Unilever in April, 1967.

Among the industries classified as "basic industries", (a term used to indicate that these are of "basic importance" to the economy), industrial projects producing metallurgical materials, mechanical and electrical equipment that can be used as a means of production, are receiving highest priority. The order of priority is as follows:

(a) Industrial projects producing the means of production, industrial projects working the soil, processing the products of agriculture, forestry and fishery.
(b) Industrial projects producing textile machinery.
(c) Industrial projects producing and assembling automobiles and parts.
(d) Telecommunication's equipment.
(e) Materials for electrical appliances.
(f) Metallurgical industries, including metal extraction.

Also included under the "basic industries" category are:

(a) Aluminum and alumina industry,
(b) Iron and steel industry, especially construction materials,
(c) Coating and pipe industry,
(d) Special steel industry,
(e) Nonferrous metals industry,
(f) Equipment for power transmission,
(g) Industrial furnace plants,
(h) Diesel engines industry,
(i) Boiler industry,
(j) General and special engineering,
(k) Bearings (ball, roller and topper) industry,
(l) Reducing gear industry,
(m) Metal cutting equipment industry,
(n) Tractor and road-building machines industry,
(o) Excavator and construction machines industry,
(p) Industrial and scientific instruments industry, and
(q) Radio, television and other communications appliances.

Source: Economic Data for Investors in Indonesia.

The chemical industry, which has very promising prospects due to the great offshore oil deposits, is not classified under the "basic industry" category, but given a separate heading under its own name. The industries which are given the highest priority are:

(a) Fertilizers such as urea, SA, superphosphates, etc.,
(b) Pulp and paper and rayon, together with their basic materials (rice, straw, wood, bamboo),
(c) Silicate industry (cement, glass, firestones, etc.),
(d) Rubber products (e.g. truck and car tires),
(e) Petrochemicals (e.g. benzene, PVC, carbon, synthetic fibre, and other synthetic materials),
(f) Pharmaceuticals,
(g) Wood chemicals (turpentine, methanol, etc.)
(h) Vegetable oils (tengkawang oil, palm oil, sereh oil, etc.),
(i) Insecticides (D.D.T., lead, arcenate, etc.),
(j) Dyestuffs,
(k) Electrochemicals (accumulators, dry-batteries, etc.), and
(l) Inorganic chemicals (sulphur, soda, H^2SO^4, salt, etc.)

Source: Economic Data for Investors in Indonesia.

Outputs of basic industrial products are shown in the table below:

Basic Industrial Production, 1969

	Unit	
Accumulator	(pcs)	32,000
Radio	(sets)	363,500
Television	(sets)	4,500
Electric Light Bulbs	(pcs)	8,212,286
Electric Cables	(meter)	1,000,000
Water Pumps	(sets)	900
Huller	(sets)	2,300
Iron Sheets	(tons)	8,500
Concrete Iron	(tons)	4,500
Water Tubes	(tons)	1,959
Road Rollers	(tons)	200
Sprayers	(sets)	20,000
Dry Batteries	(cells)	4,500,000
Sawing Machines	(set)	14,000
Assembled Cars	(no.)	5,037
Assembled Motorcycles	(no.)	21,358
Machines & Parts (Mines, Agricultural & Textile, Etc.)	(tons)	2,400

Source: Indonesia Handbook 1970.

Geographically, Indonesia's manufacturing activities are concentrated in Java. In Djakarta alone, there are 1747 firms. The distribution of manufacturing firms, both large and small, are as follows:

Geographical Distribution of

Indonesian Industrial Enterprises

(1968)*

	No. of Establishments
Java	10,891
Atjeh	61
Sumatra	1,028
Kalimantan	286
South Sulawesi	182
Nusatengzara	74
Djambi	54

* All other provinces have under 50 establishments.

Industrial establishments hiring more than 50 workers and using the equivalent of over 5 h.p. of power, are also centred around Djakarta. The breakdown of "larger industrial establishments" by industrial activities, is as follows (1968):

	No. of Establishments
Food Industry	643
Beverages	96
Tobacco	399
Textiles	443
Clothing, Etc.	45
Wood	171
Furniture & Fixtures	59
Paper & Paper Products	42
Printing	253
Leather & Leather Goods	104
Rubber & Rubber Goods	217
Chemicals	249
Nonmetallic Mineral Products	140
Metal Products	154
Nonelectrical Machinery	103
Electrical Machinery & Appliances	39
Transport Equipment	151
Miscellaneous	215

Source: Central Bureau of Statistics.

In addition to the above, there are shipyards in Djakarta, Surabaya, Semarang and Amboina.

4. Mining

Indonesia is endowed with great mineral wealths, especially oil, tin, bauxite, nickel and non-coking coal; to a lesser extent deposits of lead, copper, zinc, silver, gold, titanium, manganese, sulphur, iodine, phosphate, and diamonds. Many of the deposits, including some of the vast oil deposits are not yet mined.

Mining receives high priority among foreign investors, getting the largest portion of the $353 million foreign investment planned for 1971.

Indonesia is already one of the world's major oil exporters: in Jan. - Sept. 1970, oil exports amounted to U.S. $319 million, or 14.9% over the corresponding period in 1969. Caltex is the largest producer of crude

oil, accounting for over 70% of total production. In 1970, the initial estimate by Caltex of producing 700,000 barrels a day was surpassed, reaching 730,000 barrels a day. Similar results were achieved by Stanvac (Esso of New Jersey and Mobil Oil), and the state-owned company, Pertamina. By the end of 1970, more than 35 production sharing contracts were signed between Pertamina and foreign companies, including Shell. Indonesia showed the largest petroleum production in the Far East in Jan. - June 1970, with an increase of 21%, to 21 million tons. Indonesian oil is highly prized by all importing countries because of its extremely low sulphur content (less than 0.5%).

The details of Indonesia's oil production is shown below:

Crude Oil Production by Producing Area

('000 barrels)

Area	1967	1968	1969
Sumatra	175,997	210,246	261,798
Djawa	537	483	453
Kalimantan	9,018	8,572	8,149
West Iran	586	562	542
TOTAL -	186,138	219,863	270,942

Source: Europa Yearbook

Prior to the Second World War, Indonesia was the world's second largest producer of tin, but output has been dropping since the end of the War: in 1968, tin production was down to 16,000 tons from a prewar high of 44,000 tons. This decline is due to a lack of managerial skill, a shortage of capital, and the depletion of reserves, (many of the tin deposits were discovered as long as 40 to 100 years ago).

Large-scale investment in copper mining is being undertaken in West Irian. This project - the Freeport Sulphur Erstberg copper project - involves a capital investment of $120 million, and if successful, promises to rank Indonesia among the world's most important copper producers.

Production of nickel and bauxite, on the other hand, has increased to about 261 thousand tons and 810 thousand tons respectively in 1968, compared to the insignificant output in 1940.

Minerals with smaller deposits are asphalt rock, gold and silver, titanium, marble, Kaolin clay, and ritumen, production of which is being gradually rendered economically feasible by modern, advanced mining technology. The government is conducting the bulk of mining activity, but it is also parcelling the potentially mineral-rich areas of the country into 53 blocks in order to attract international bidding. About 90% of the potentially oil-bearing shelf-area has been contracted for, and oilmen are optimistic as to the outcome. The major buyers of Indonesian oil are Japan, Australia, the U.S. and the Philippines.

The major minerals production of Indonesia are shown in the table below:

MINING

	Tin (quintal)	Nickel (metric tons)	Bauxite (metric tons)	Gold (kg.)	Silver (kg.)	Coal (metric tons)	Oil ('000 barrels)
1965	149,344	102,003	688,259	209,076	9,293,817	390,549	175,713
1966	127,696	117,402	701,223	128,190	6,867,181	319,829	170,073
1967	138,187	170,601	912,266	241,138	9,610,852	208,363	189,000
1968	169,390	240,726	879,323	185,638	9,613,258	176,214	202,000
1969	174,130	254,139	765,282	256,603	10,589,944	191,412	271,003

Source: Europa Yearbook

5. Finance

Indonesia's currency is the Rupiah, divided into 100 sen. Inflation had plagued Indonesia since the early 1950's and in 1966 it peaked the record by registering an annual rise in the price level of 650%. This has rendered business planning impossible, stimulated short-term speculations, and resulted in the rise of government debts, both internal and external, and led to wide-ranging government control of economic activity. The Suharto government has set, as one of its principal goals, the stabilization of price levels, and in 1967 the rate of rise was reduced to 113% and by 1968 to 85%. By 1970, the general rate of inflation was placed at 10%, a negligible increase compared to previous years. Much of the price rise in 1968 was attributable to a shortage in rice, and the government recognized the prime importance of rice supplies, and as rice production is significantly increased, it appears that prices will be stablized. Currency in circulation was 205 billion Rupiah in March 1970.

Towards the end of 1968, government banks held 67% of credit assets and 65% of deposits. By law, long-term loans are extended only to development banks. There is no formal money and stock market which can also deal in capital transactions. The domestic insurance industry - mostly life - is largely controlled by the government.

The Foreign Investment Policy of Indonesia is aimed at attracting foreign capital for agricultural products industries and mining industries. Incentive programs include 5-year exemptions from corporate tax, duty free imports of equipment and the return of nationalized enterprises to their former owners. In a 1967 announcement, the Foreign Exchange Bureau issued regulations concerning the transfer of foreign exchanges by foreign enterprises. Outward remittances of profits, royalties, depreciation, capital repatriation, personnel remuneration and other remittances may, by approval of the Bureau, be made by the purchase of B.E. (Bonus Export) exchange. Applications for profit remittances must be accompanied by financial statements and tax clearances.

There are about 170 projects in all sectors which are receiving foreign investments, the largest recipients are mining (nickel in particular), wood industries, and the petroleum industry. Of the total of $1.4 billion of planned investment by the U.S. in 1970, about $1.2 billion is going to these three sectors. Canadian, Dutch and Japanese interests are investigating the possibilities of investing in tin, nickel and bauxite. In the field of exploration, primarily for offshore oil and gas, Australian, American, British, Canadian, West German and Japanese interests are very active. Though still in the planning stage, great potential for foreign investment exists in the fields of aluminum reduction, petroleum refining and petrochemical production.

In April 1971, a general foreign exchange rate was established (called devisa umum, or DU units). The D.U. rate has been maintained at about Rp 378 = U.S. $1.

Indonesia's external debt as of 1966 was $2,100 million, of which $1,700 million was principal and $455 million was accumulated interest. Chief creditor nations are the Soviet Union, East European countries, China, Japan, the Netherlands, West Germany, U.S., U.K., Italy and Yugoslavia. In 1970, West Germany, France, Italy, Japan, the Netherlands, U.K., U.S., and Soviet Union agreed to reschedule the debt on generous terms, to be repaid over a 30-year period. (The Paris Club announcement, April 27, 1970).

6. Utilities

Indonesia produced 1,609.5 million Kwh in 1967. Although there are 11 new projects in varying stages of completion throughout the country, power generation is still not adequate. The World Bank has provided $16.8 million in credits for the reorganization of the state-owned electricity company PLN, and for improving the distribution system. The largest source of power is hydroelectric generation, which accounted for 58.6% of total domestic power production. Electricity generated by diesel and steam accounted for 20.5% and 20.9%, respectively. There are three large-scale hydro-electric plants under construction on the Djatiluhur and Brantas Rivers in Java, and on the Asahan River in Sumatra.

All gas and electricity undertakings were nationalized by a presidential decree of October 3, 1953. Increased supply of electricity is one of the high-priority projects and is also high on the schedule of foreign aid programmes.

There were some 7000 Km of railways in 1965, and 81 thousand Km of roads. A large part of public expenditures is devoted to road construction, and over 1,850 miles of roads were rehabilitated up to the end of 1970. The number of cars, trucks, buses and motorcycles in 1967 were 184 thousand, 95 thousand, 19 thousand and 338 thousand, respectively.

The PNKA (State Railways) is concentrating on the replacement of tracks and bridges to improve safety and efficiency, placing emphasis on freight transport. Five 1500 hp diesel hydraulic locomotives were bought for Java, and six 1000 hp units were bought for North Sumatra.

Indonesia is a country which is composed of widely scattered islands in the South Pacific, and inter-island shipping is of vital importance. Also, because of its strategic location, it is in a good position to develop ocean shipping and fishing facilities. In mid-1970, the total merchant fleet comprised 233 ships, weighing 620,850 deadweight tons. The Djakarta Lloyd maintains regular services between Djakarta, Amsterdam, Hamburg, and London. The greater portion of Indonesia's foreign trade is handled by foreign shippers. Inter-island shipping has not reached the prewar level. The chief obstacles are deficiencies in docking and repair facilities, inadequate port facilities, shortages in electricity and water supplies, and inefficient bureaucratic procedures. Still, the number of tons of cargo carried per ton of ship space per year increased from 4.5 tons in 1969 to 6 tons in 1970.

The Garuda-Indonesian Airways, operated by the Government and the KLM, improved its services greatly, though latest figures are not available. In mid 1970, there were 21 private aviation companies of which 6 were in operation. Garuda hopes to acquire jumbo jets in 1973. Throughout Indonesia, there are 40 airfields. Djakarta's international airport, Kemayoran, is being relocated in the West of the city.

In the field of communications, the greater part of the facilities are owned and operated by the state. After independence, progress was made in the building and installation of postal and telecommunications facilities. There were 2,310 postal offices in 1964, the latest year for which statistics are available, and postal despatches numbered 174 million items for domestic correspondence, 16 million foreign correspondence and 850 thousand parcels. There were 1.5 million radio sets in 1967. The number of radio stations was 39 in 1968, and transmitters had been increased in strength from 550 Kw to 820 Kw. Construction is underway for a Java microwave system (Djakarta, Bandung, Semarang, Surabaja, Bali), which is scheduled for operation in 1972. Work on the trans-Sumatra and eastern Indonesian microwave system is being financed by the World Bank and I.D.A. ($12.8 million) credit and some Australian aid. International communications are provided for by the I.T.T. satellite system, located at Djatiluhur (about 60 miles from Djakarta). There is only one television transmitting station, located in Djakarta, but the broadcast is relayed through relay stations in Bandung and Samarang.

7. Tourism

Indonesia, by virtue of her numerous islands, lush vegetation and temperate climate, is potentially one of the greatest places in the world for tourists. One of the best-known islands is Bali, where the Indonesian flag carrier, the Garuda operates daily flights from Djakarta.

The number of tourists has been very small considering the potential: in 1967, only 40 thousand tourists visited Indonesia, with 23,000 going to Bali. In 1969, the number increaed to 70,000 and 100,000 were expected for 1970. This is largely due to the lack of facilities such as hotels, transportation network, and a general lack of efficiency in the tourist industry. Most tourists are Americans, followed by Germans, Dutch and Japanese.

At the end of 1970, there were only 800 first class rooms in Djakarta, which met with the National Tourist Office's standards. But there are several projects that are either approved or under construction, including eight hotels with a total of 2,000 rooms.

At Kuta, located in the south of Bali, a project to build a 230 room hotel has been approved for a consortium of Hawaiian and Singaporean interests, which is ready to invest $40 million. Still, the pace of expansion in tourist facilities is slow: in Bali, the favorite tourist spot, there were still only 300 rooms. The Indonesian authorities expect to attract 290,000 tourists in 1973.

The most important problem is the preservation of the culture, which is the main tourist attraction. Towards this end, the World Bank is assisting in a survey aimed at setting conditions for future hotel development, including the concentration of hotels at a given site, and the limitation of hotel buildings to bungalows rather than high-rises.

FOREIGN TRADE

1. General

Indonesia has trade relations with most countries in the world. Total Indonesian trade is in the neighborhood of $1.7 billion (1969). Traditionally, Indonesian exports have been raw materials and primary products, and the bulk of Indonesian imports have been food and materials used in the food producing industries.

The balance of commodity trade has been slightly in Indonesia's favor, but the remittance of profits by foreign enterprises and interest payments for foreign debts have set the overall balance of payments consistently in the red.

Indonesia has a crushing foreign debt, incurred under former President Sukarno. Since the take-over by President Suharto, the Soviet Union and the Western countries have agreed to reschedule Indonesia's debt on generous terms. However, debt repayment continues to be a very heavy burden. There are signs of better prospects: in December 1970, a Western consortium promised $640 million in aid for 1971/72 under easy terms, and the increasing foreign investments are expected to continue. The latter will help in the short-run by occasioning capital inflow, and in the longer run by establishing export-oriented or import-competing industries.

Indonesian exports and imports by value continued to increase during 1970 and future prospects are promising. The increase in the value of exports is attributable to the expansion of the oil sector and the improvement in the terms of trade for Indonesia - international prices of tin and natural rubber rose during 1970. This latter trend was reversed in mid 1970, however, as a result of the release of tin and rubber stockpiles by the U.S. On the import side, Indonesia's imports, including aid projects, totaled U.S. $481.3 million in January-September 1970, of which the private sector accounted for 79.5% and the government for 20.5%. Over 70% of the private sector imports were financed with export foreign exchange and 27% with credit foreign exchange. This, together with the fact that the growth rate of imports in capital goods and raw materials was far greater than that of consumption goods, reflects increased investment activity as well as increased foreign exchange earning ability. Indonesia's latest trade statistics are shown below:

($U.S. million)

	1969 (12 months)	1969 (Jan. - Sept.)	1970* (Jan. - Sept.)
Export of Natural Oil	387.7	278.2	319.8
Other Exports	633.6	481.4	541.8
Total Exports -	1,021.3	759.6	861.1
Total Imports -	887.5	608.7	481.3

Note: * - Provisional

Source: Indonesian Ministry of Trade

2. Analysis of Indonesia's Imports

Indonesian imports are in the neighborhood of $890 million (1969 data from I.M.F. International Financial Statistics). The largest single item is rice, which amounted to $152.4 million in 1968. This is a matter of special concern to the Indonesian government: before 1940, Indonesia was one of the world's major exporters of rice and sugar, but it has not recovered from the disruptions caused by the Second World War and former President Sukarno's economic policies. Now, one of the prime objectives in Indonesian development planning is self-sufficiency in rice and sugar, the latter of which is expected to be achieved by the end of 1972. A brief outline of Indonesia's imports is shown in the table below:

Indonesian Imports, c.i.f.

($ million)

	1967	1968
Consumer Goods	250.5	327.9
of which - Rice	65.2	152.4
Wheat Flour	18.0	43.0
Textiles	127.2	58.5
Raw & Processed Materials	198.9	294.3
of which - Chemicals	33.4	24.4
Fertilizers	22.2	57.3
Weaving Yarns	8.3	51.3
Capital Goods	119.8	103.0
of which - Machinery & Engines	4.8	11.9
TOTAL	569.2	725.2

Source: Europa Yearbook

Imports of raw materials consist largely of fertilizers, textile materials, iron and steel products (bars, plates, nuts and bolts), and chemicals (prints, pulp and paper chemicals, etc). This reflects the government's emphasis on improving agricultural production and the living standard of the people. In terms of value, the largest is textile materials, followed by iron and steel products.

In terms of the country of origin, the largest supplier to Indonesia is Japan, which accounted for 29% of Indonesia's 1969 imports. In the following, Indonesia's main suppliers are shown:

Indonesian Imports by Country

(CIF, US$1,000)

Country	1968	1969 1)	Jan 1970 2)	Feb 1970 2)
ASIA	332,934	399,730	37,234	30,349
Singapore	33,635	39,830	4,344	4,616
Thailand	9,522	8,873	367	1,430
Hongkong	32,779	27,096	1,959	1,792
Japan	159,229	225,918	21,956	15,327
China	40,711	43,026	3,015	2,716
Others	57,058	54,987	5,593	4,468
AFRICA	24,971	8,016	343	1,097
AUSTRALASIA	20,571	20,472	1,840	2,897
AMERICAS	128,696	160,387	11,310	11,697
US	126,615	155,150	10,995	11,155
Canada	1,133	1,807	239	541
Others	948	3,430	76	1
EUROPE	222,663	191,894	19,817	18,922
UK	19,182	27,309	2,632	2,686
Netherlands	50,715	39,432	4,360	2,961
West Germany	72,027	64,560	7,233	5,643
Belgium/Luxemberg	3,476	4,870	389	798
France	15,388	10,588	1,026	2,321
Soviet Union	5,687	4,509	349	198
Others	55,588	40,626	3,828	4,315
OTHERS	361	1,241	134	107

Source: Central Bureau of Statistics, Djakarta
Note: 1)= Including additional returns
2)= Preliminary figures

Source: Far Eastern Economic Review.

As a means of encouraging industrial development imports of capital goods and raw materials are given prior consideration in the allocation of foreign exchange, exemptions from import duties, preferred depreciation schedules, and an exemption from corporate profit taxes for 5 years. Industries on the favored list, are those which are labor-intensive (job-creating) and make use of locally abundant natural resources. That includes food products, rubber, petrochemicals, textiles, fertilizers, pharmaceuticals, motor vehicle assembling, electronics, and to a lesser extent, shipbuilding. Also, the drive to construct road and communications networks gives rise to a large demand for cement, construction machinery, power plants, transformers, telecommunications equipment, and to a lesser extent, hotel and restaurant equipment for the tourist industry.

Imports of capital goods consist largely of transportation equipment and facilities and power-generating equipment. The largest item is railway equipment, which accounted for 70% of total capital goods imports. Motor vehicle imports and industrial and commercial machines were paramount before 1965, but have been surpassed by imports of iron and steel pipes (for oil and gas), and power

machines and internal combustion engines, since that time. The breakdown of capital goods imports is shown below:

— IMPORT OF SELECTED CAPITAL GOODS

Year	Value in million rupiahs						
	Iron & Steel pipes	Machines for Indus trial & Commercial Purposes	Power Machines: Internal Combustion engines	Dynamos electric motors and Transformers	Motor Vehicles	Railway equipment	Vessels
1950	20.3	67.4	29 5	8.8	16.0	6.4	7.7
1951	20.8	88.6	39.8	10.6	84.1	12.7	8.3
1952	101.5	369.4	216.6	32.2	248.1	148.6	32.6
1953	89.5	343.5	174.3	37.2	154.1	113.2	87.1
1954	61.7	309.3	104.9	33.8	125.9	142.3	29.2
1955	72.6	257.3	119.1	29.0	170.3	44.6	56.6
1956	81.9	513.3	175.9	36.4	234.4	25.3	12.9
1957	156.2	480.5	161.8	37.6	229.8	41.4	2.2
1958	149.7	265.9	121.5	26.3	133.4	95.6	4.0
1959	139.6	229.6	89.6	15.7	158.6	48.3	4.6
1960	576.5	1.170.2	605.8	118.5	726.9	96.0	27.5
1961	274.1	1,453.3	830.4	128.9	2,006.5	512.0	7.8
1962*)	434.0	3,009.3	560.6	140.3	1,493.3	432.8	22.9
1963*)	195.1	1,709 7	390.4	89.9	788.3	508.6	6.4
1964*)	343.1	1,683.3	531.9	180.5	1,914.5	938.7	40.4
1965*)	289.1	1,715.8	982.1	323.2	1,987.1	593.4	18.5
1966	54.0	25.0	37.0	23.0	250.0	31.0	—
1967	24.0	9.0	17.0	14.0	8.0	175.0	2.0

*) Preliminary Data

Source : Central Bureau of Statistics.

Source: Economic Data for Investors in Indonesia.

3. Analysis of Indonesia's Exports

The pattern of Indonesian exports changed drastically since the 1940's: previously, the main exports were agricultural products, above all sugar and rice, but now the most important export item is petroleum. Petroleum is so important to Indonesia that, in fact, the Indonesian trade statistics separates petroleum exports as an independent category. The destination of crude petroleum exports is as follows, (in thousand barrels):

Crude Oil Exports

Destination	1967	1968	1969
Japan	46,595	69,059	108,201
Australia	30,661	33,661	31,565
U.S.A.	16,626	26,020	27,133
Philippines	12,529	12,934	15,767
Hawaii	5,407	2,432	2,624
Other Countries	875	1,369	3,527
TOTAL -	112,693	145,475	188,817

Source: P.N. Pertamina, Biro Statistik & Perpustakaan.
Indonesian Exports by Destination

After crude petroleum, exports of rubber ($180.4 million in 1969, or 21.7%), coffee ($47.2 million or 5.7%), and tin ore and concentrates ($40.5 million or 4.7%) are most important. (Source: I.M.F. International Financial Statistics). The breakdown of major export commodities, excluding crude petroleum, for the years 1967-1969, is shown below:

MAIN EXPORT COMMODITIES
(million U.S. $)

	1967	1968	1969*
Rubber	189.2	174.7	180.3
Copra	14.5	39.6	7.6
Coffee	45.0	44.2	47.2
Tobacco	21.3	21.8	5.2
Palm Oil	28.6	21.0	11.3
Palm Kernels	4.0	4.7	2.3
Pepper	18.2	13.5	9.8
Tin	31.4	48.7	40.5
Tea	9.9	16.9	7.7
Copra Cakes	3.6	2.4	1.4
Hard Fibre	0.9	—	0.1
Hides	5.0	4.5	4.1
Rattan	1.3	1.2	0.7
Mace and Nutmeg	3.2	1.9	1.2
Lumber	6.3	12.3	3.4
Other Foodstuffs	9.1	9.2	6.5
Other Spices	6.5	5.2	1.7
Others	24.5	27.4	38.0
TOTAL (excl. Oil)	422.5	449.2	369.4

* Provisional.

Source: Europa Yearbook.

Indonesia sells the major portion of its exports to Asian countries: Japan, its biggest customer, alone accounted for 25% of Indonesia's exports in 1968. Asia, as a whole, bought over half (52.1%) of Indonesia's exports. The second largest purchaser of Indonesian exports was Singapore, which imported $115.70 million (or 16.8%) of Indonesian goods. The U.S. comes third, with $112.7 million or 16.4%. As for Canada, our imports from Indonesia are virtually negligible: $445 thousand in 1968 and $284 thousand in 1969. A detail of Indonesia's exports to industrially advanced countries in 1969 is provided for in the appendix.

Indonesian Exports by Country

(US$ 1,000 FOB) Country	1968	1969 1)	Jan 1970 1)	Feb 1970 1)	Mar 1970 1)
ASIA	358,591	460,841	49,754	40,498	48,387
Singapore	115,694	136,171	12,470	12,180	11,548
Thailand	5,597	6,487	55	5	2
Hongkong	9,227	6,706	692	548	616
Japan	172,150	243,906	30,360	23,820	28,733
Philippines	24,229	25,102	1,935	1,915	3,370
Others	31,694	42,469	4,242	2,030	4,118
AFRICA	1,199	712	77	40	142
AUSTRALASIA	73,314	66,534	6,056	3,476	3,504
AMERICAS	114,981	110,309	9,650	7,228	11,264
US	112,698	107,313	9,596	7,199	11,248
Canada	88	93	—	11	1
Others	2,204	2,903	54	18	15
EUROPE	140,420	103,797	6,829	9,494	12,714
UK	9,381	6,977	530	371	436
Netherlands	43,590	32,376	1,976	2,712	5,584
West Germany	48,038	33,047	2,175	2,673	1,900
Belgium/Luxemburg	9,952	8,674	363	847	1,391
France	3,019	2,660	268	401	611
Soviet Union	16,649	10,840	626	1,800	1,439
Others	9,801	9,223	891	690	1,353

Source: Central Bureau of Statistics, Djakarta
Note: 1)= Preliminary figures

Source: The Far Eastern Economic Review.

CANADIAN AND ONTARIO TRADE WITH INDONESIA

1. General

Canadian trade with Indonesia indicates wide fluctuations. In 1964-66, it was in Indonesia's favor but in 1967-69 Canadian imports fell drastically while exports increased, with the result that the trade balance is now overwhelmingly in Canada's favor.

Canadian Trade with Indonesia

Year	Canadian Imports from Indonesia $'000	Canadian Exports to Indonesia $'000
1964	1,393	703
1965	2,365	1,635
1966	1,158	347
1967	1,066	2,771
1968	445	2,408
1969	284	2,948
1970	589	16,489

Source: D.B.S. Trade of Canada.

2. Canadian Exports to Indonesia

In 1969-70, Canadian exports to Indonesia amounted to $2.9 million and $16.5 million, respectively. The chief contributing factors to the great increase in 1970 are the large sales of processed food (about $5 million) and transport equipment (about $9.5 million). The largest item of exports has been traditionally wheat flour, which alone amounted to $1.3 million in 1969. However, in 1970 a great change in the pattern of trade took place, shifting the emphasis to transport equipment. On the other hand, the exports of capital goods and raw materials have been relatively small: "newsprint papers" and "transformers and parts" amounted to $426 thousand and $260 thousand, respectively (1969).

Considering the volume of capital goods required in the economic development plan of Indonesia, there is a very promising market for these commodities: the poor performance of Canadian exports in Indonesia is not a reflection of poor market conditions but a reflection of our lack of interest or aggressiveness. The industrial development policies and the priority list of foreign aid and investment are already provided for in previous sections.

3. Canadian Imports from Indonesia

The pattern of Canadian imports from Indonesia has remained relatively stable, though the amount declined markedly over a period of time. The main imports are spices, rubber, coffee and tea. The largest item in Indonesia's exports, crude oil, does not figure in Canada's purchases at all, for obvious reasons. In future, however, Indonesia is hoping to export to Canada more of its marine fishery products, rubber products, and other agricultural and handicraft products, including vegetable oils, rattan furniture and tropical lumber products. A breakdown of Canadian imports from Indonesia is attached in the appendix.

4. Ontario Exports to Indonesia

In 1969 and 1970, Ontario exported $1,129.6 thousand and $12,884.5 thousand to Indonesia. The large increase was accounted for by the increase in the sale of trucks and truck chassis ($7,995 thousand). As a result, in 1970 Ontario exports accounted for 78.1% of Canadian exports to Indonesia.

Ontario's exports to Indonesia have fluctuated extremely capriciously since 1966, the earliest year for which statistics are available:

Ontario Exports to Indonesia

	$'000
1966	129.2
1967	2,058.2
1968	901.7
1969	1,129.6
1970	12,884.5

Source: Ontario Exports by Countries, Research Branch, Ontario Dept. of Trade and Development.

The great expansion in 1967, shown above, was attributable to two items: aircraft ($1,022.8 thousand) and road motor vehicles ($688.7 thousand).

Broadly speaking, the largest items have been milled cereals and transport materials. This exemplifies both the pattern of Indonesia's needs and Canada's capability to supply. The largest potential for Ontario exports exists in the field of mining and industrial equipment, transport equipment, telecommunications equipment, construction equipment, hotel and restaurant equipment, and those raw materials needed to supplement or complement the domestic Indonesian supply of materials for the industries which are scheduled to expand.

ECONOMIC AND TRADE POLICIES

1. Planning

The National Planning Council announced a new Five Year Plan - (Repelita) - April 1969 - April 1974, in 1969.

The announcement cited as goals, the raising of the people's standard of living and the creation of an economic foundation on which further economic development could be based. The highest authority for decision-making in the economic sector is the National Economic Stabilization Coundil headed by President Suharto.

The agricultural sector has been chosen as the central point of development. Special emphasis is to be placed on the production of an adequate supply or rice. Forestry, fisheries and cattle-raising will also receive renewed and intensive attention.

Outside the agricultural sector, the largest amount of funding will go to mining, the rehabilitation of the infrastructure, such as road networks and telecommunications, and to light industrial production.

Foreign aid is expected to finance about half of the projects, and imports of raw materials are expected to exceed those of capital goods.

The Plan anticipates an 8% annual growth rate in exports and 15% in imports. Total capital inflow is expected to be about $3.5 billion. The target growth rate for the economy is about 5% per year in real terms, though there is no official growth target.

One of the most important measures designed to bring about economic development is a 14-point regulation aimed at improving trade, monetary and fiscal policies. The main objectives are:

- to raise the income of workers who are engaged in trade and production;
- to reduce production costs;
- to simplify and, if necessary, to overhaul bureaucratic procedures in imports, exports and banking;
- to secure convertibility of the rupiah.

Four areas are singled out by the State Secretary H. Alamsjah, in charge of the Pelita economic planning, as those areas in which the greatest advantage could be obtained. These are wood and wood products, petroleum, marine resources, and foodgrain.

2. Foreign Trade Regulations

The administration of foreign exchanges is in the hands of the Foreign Exchange Review Bureau (BLLD), in accordance with the rulings of the Foreign Exchange Board and the Bank of Indonesia.

All exports require licenses from the Export Directorate of the Ministry of Trade and are normally covered by letters of credit issued by foreign trade banks. Exports to China and certain other countries are prohibited, but are under review. Articles for export are divided into two categories, with the exception of oil.

Category A (80% of all exports exclusive of oil) is subject to the floor prices quoted every week by the Foreign Exchange Control Board. The items under Category A include rubber, tobacco, coffee, pepper, palm kernels and oil, diamonds, and tin.

Category B (which accounts for 20% of non-oil exports) includes those which are not classified under Category A, except gold and silver. Prices of commodities under Category B are approved by the Association of Indonesian Exporters, which is a private trade association.

Imports are generally unrestricted, though controlled, and certain items are prohibited or are subject to surcharge. Importables are classified into three groups: Group 1 includes essentials, and may be paid with Bonus Export (BE), ADO (the portion of export earning, 15% of export under Category A), or Complimentary Foreign Exchange Account (DP) (the excess earning of foreign exchange credited to the exporters when his sales price exceeds the stipulated floor price). Group 2 includes all the items which are prohibited, and Group 3 covers the nonessentials and luxuries, which can only be paid with D.P. exchange. Basically, all imports financed with D.P. must be prepaid.

3. Foreign Investment Regulations

Indonesia welcomes foreign investment. In 1967, Indonesia enacted a law to encourage the entry of foreign firms into the country. The law provides for: (1) Exemption of profits from corporate taxes for a maximum of 5 years; (2) Exemption from corporate tax of reinvested net profits up to 5 years from the date of reinvestment; (3) Exemption from import duties of capital goods; (4) Waiver of the capital stamp tax on capital inflows originating from foreign investment; (5) Reduction of the corporate tax, up to 50%, after the initial 5 year period has expired; (6) Special abatement schedule for losses incurred during the exemption period; (7) Full authority to appoint management personnel; and (8) Land rights for exploitation, construction and other uses pertaining to ownership.

4. Marketing Channels

Up until 1950, marketing channels in Indonesia were controlled by ten Dutch enterprises operating a completely integrated system, linking international financial, shipping and trading connections with a network of middlemen and brokers.

After 1950, a few Chinese and Indonesian entrepreneurs succedded in making inroads into the Dutch oligarchy, partly with the help of the Indonesian government. Dutch dominance ceased in 1958, when Dutch enterprises were nationalized.

The government of President Suharto places particular emphasis on private initiative in renewing and creating marketing channels. Future marketing progress in Indonesia depends on the emergence of indigenous entrepreneurs and the creation of an adequate infrastructure.

5. Licensing, Joint Venture, Patents

Indonesia is a member of the Paris convention, adhering to the London text of 1934, but not the 1958 version. Indonesia is also a signatory to the Hague arrangement and the Neuchatel arrangement relating to designs and models. However, during the Sukarno era, the administration of trademark protection and related matters broke down completely, and the degree of protection an investor or licensor may have is most uncertain. This situation is expected to improve, as the Suharto government is interested in encouraging foreign licensing by providing an environment conducive to such undertakings.

TABLE I

CANADIAN IMPORTS FROM INDONESIA BY COMMODITIES - 1969-1970

CLASS	COUNTRY AND COMMODITY		JANUARY TO DECEMBER 1969		JANUARY TO DECEMBER 1970		CLASS
			QUANTITY	VALUE	QUANTITY	VALUE	
				$		$	
	INDONESIA						
8299	NUTS KERNELS SEEDS SHELLED PREP NES	LB			5,160	1,597	8299
11210	COFFEE, GREEN	LB			8,818	5,515	11210
11310	TEA, BLACK	LB	146,265	45,012	329,385	134,797	11310
11455	PEPPER, GROUND OR UNGROUND	LB	369,688	95,007	100,800	30,627	11455
11499	SPICES, SPICE HERBS SPICE SEEDS NES	LB	11,058	22,807	50,706	21,652	11499
21620	CRUDE NATURAL RUBBER, EXCEPT LATEX	LB	145,558	36,116	843,028	159,056	21620
24550	SISAL AND AGAVE FIBRES, INCL. WASTE	LB	384,652	28,457	593,627	42,130	24550
25210	BAUXITE ORE	CWT			519,075	142,964	25210
25859	NICKEL IN ORES CONCENTRATES & SCRAP	CWT			58,775	2,676	25859
38919	HOODS AND SHAPES, TEXTILE N E S	DOZ	2,000	1,394			38919
39739	ESSENTIAL OILS N E S	LB	2,823	14,434	400	1,795	39739
49601	HOODS AND SHAPES, NON-TEXTILE	DOZ	15,000	8,907	9,000	6,350	49601
63737	RADIO RECEIVING SETS TRANSISTOR NES	NO			1	100	63737
74012	FURNITURE, WOODEN, HHOLD, NOT UPHOL					828	74012
78399	OUTERWEAR, EXCEPT KNITTED N E S	NO			350	431	78399
79012	BOOTS & SHOES MENS & BOYS LAST-MADE	PAIR			2,268	4,588	79012
79014	BOOTS SHOES WOMEN & GIRLS LAST-MADE	PAIR			2,844	2,709	79014
79016	BOOTS SHOES CHILD INFANTS LAST-MADE	PAIR			23,976	24,771	79016
86716	HHOLD BASKETS BOXES CANS & BAGS NES					161	86716
86732	ART AND DECORATIVE WARE N E S			538		1,391	86732
91939	CAMERA AND PROJECTION LENSES					100	91939
93012	PISTOLS & REVOLVERS, NON-MILITARY	NO	2,692	10,838			93012
94608	PAINTINGS AND PASTELS, MADE BY HAND	NO			7	500	94608
94640	COLLECTIONS & COLLECTORS ITEMS NES					400	94640
94975	WIGS, HAIRFALLS & SIM. HAIR PROD.					581	94975
97010	IMPORT PACKING, RE-USABLE NOT DESCR					198	97010
97030	GOODS RETURNED WITHIN FIVE YEARS			20,168		638	97030
97075	SHIPMENTS OF LESS THAN $200.00 EACH			505		2,813	97075
				284,183		589,368	

Source: Statistics Canada

TABLE II

CANADIAN EXPORTS TO INDONESIA BY COMMODITIES - 1969 - 1970

CLASS	COUNTRY AND COMMODITY		JANUARY TO DECEMBER 1969 QUANTITY	JANUARY TO DECEMBER 1969 VALUE IN DOLLARS	JANUARY TO DECEMBER 1970 QUANTITY	JANUARY TO DECEMBER 1970 VALUE IN DOLLARS	CLASS
	INDONESIA						
630	BABY CHICKS	NO			1,517	1,598	630
4212	COD, HEAVY SALT, 43PC OR LESS MOIST	CWT	4,420	66,862			4212
4442	SALMON, PINK, CANNED	CWT N			20	1,666	4442
5152	MILK POWDER, SKIM MILK	CWT	27,567	218,150	139,194	1,209,937	5152
6267	WHITE WINTER WHEAT FLOUR	CWT	53,462	267,310	455,674	2,242,907	6267
6269	WHEAT FLOUR N E S	CWT	186,167	962,563	237,442	1,250,440	6269
14410	GELATIN, EDIBLE	LB	255	1,886			14410
17340	WHISKY	P GAL	30	375			17340
27130	ASBESTOS MILLED FIBRES, GROUP 4 & 5	TON	10	1,990	2	368	27130
27140	ASBESTOS SHORTS, GROUP 6-9 GRADES	TON			2	189	27140
27249	CLAYS, GROUND OR UNGROUND	CWT	5,820	13,864			27249
27977	SULPHUR, CRUDE OR REFINED N E S	TON	2,183	63,738			27977
32049	TIRE AND TUBE REPAIR MATERIALS	LB			87	279	32049
34020	WOOD PULP BL. SULPHATE PAPER GRADES	CWT	2,197	14,999			34020
35109	NEWSPRINT PAPER	CWT	69,127	426,004	56,630	326,633	35109
35199	PAPER FOR PRINTING N E S	CWT			11,880	145,528	35199
35249	WRITING AND REPRODUCTION PAPER	CWT			1,564	25,768	35249
42509	PLASTIC FILM AND SHEET	CWT			63	3,479	42509
42999	INDUS. CHEM SPECIALTIES & EXPLOSIVE	CWT		107			42999
43903	LUBRICATING OILS AND GREASES	GAL	10,395	6,425			43903
44899	PIPES AND TUBES, IRON AND STEEL NES	CWT			109	6,676	44899
45149	ALUMINUM FABRICATED MATERIALS N E S	CWT			41	1,516	45149
45212	COPPER PLATES SHEET & FLAT PRODUCTS	CWT			6	980	45212
46529	NUTS, BOLTS, SCREWS AND WASHERS	CWT	136	3,365	573	14,544	46529
46999	METAL FABRICATED BASIC PRODUCTS NES			795		396	46999
50299	ENGINES, TURBINES AND PARTS N E S					56,275	50299
50319	GENERATORS AND PARTS	NO				632	50319
50369	ELECTRIC MOTORS	NO			2	21,959	50369
50439	BEARINGS AND PARTS					9,212	50439
50499	POWER TRANSMISSON EQUIP & PTS N E S			3,795			50499
50901	POWER BOILERS, EQUIPMENT AND PARTS			336			50901
50919	PACKAGING MACHINERY AND PARTS			1,573			50919
50980	PUMPS, PUMPING SYSTEMS AND PARTS			15,950		10,260	50980
51039	HOISTING MACHINERY AND PARTS N E S	NO	3	55,751			51039
51931	WOODLAND LOG HANDLING EQUIPMENT	NO			3	89,347	51931
51939	PARTS WOODLAND LOG HANDLING EQUIP.					163	51939
52119	ROCK DRILLING & RELATED MACHY & PTS			70,550		51,283	52119
52199	MINING-QUARRYING MACHY & PARTS NES			92,031		2,729	52199
52414	CHAIN SAWS	NO	10	1,260	76	9,489	52414
52415	PARTS & ACCESSORIES FOR CHAIN SAWS					722	52415
52909	RUBBER WORKING MACHY, EQUIP & PARTS			1,941		2,922	52909
52924	SHOE-MAKING INDUSTRY MACHY & PARTS			26,101		3,699	52924
52979	TEXTILE INDUSTRIES MACHY AND PARTS					223	52979
52968	TOBACCO MANUFACTURING MACHY & PARTS					5,474	52988
54151	GRAIN DRILLS AND COMBINATION DRILLS	NO	3	4,037	4	6,136	54151
54309	MOWERS	NO			8	2,775	54309
54372	COMBINE REAPER-THRESHERS	NO	2	16,411			54372
54373	PARTS FOR COMBINE REAPER-THRESHERS					749	54373
58110	HARDTOP SEDANS, NEW	NO	2	4,755			58110
58126	SEDANS, NEW N E S	NO			672	1,775,500	58126
58331	TRUCKS & CHASSIS, NOT OVER 6000 LBS	NO			456	986,276	58331
58339	TRUCKS AND CHASSIS, COMMERCIAL NES	NO			2,424	7,008,871	58339
58499	TRAILERS & COMMERCIAL SEMI-TRAILERS	NO	5	8,524			58499
58742	SNOWMOBILES PLEASURE & SPORT. & PTS	NO				1,963	58742
58885	MOTOR VEHICLE ENGINES AND PARTS	NO		640		24,386	58885
58995	OTHER MOTOR VEHICLES N E S	NO	5	49,276			58995
58999	PARTS & ACCESS. FOR MOTOR VEH. NES			4,220		37,294	58999
59029	MARINE ENGINES AND PARTS	NO	26	10,684	380	103,960	59029
60039	AIRCRAFT ENGINES AND PARTS	NO		60,126	1	118,122	60039
60099	AIRCRAFT ASSEMBLIES EQUIP & PTS NES			73,351		156,015	60099
61128	WAGONS, CARTS, BUGGIES AND PARTS	NO			10	4,773	61128
63419	TELEPHONE APPARATUS EQUIP AND PARTS					6,675	63419
63490	RADIO TRANSMITTING-RECEIVING UNITS			43,085		84,429	63490
63495	RADIO TV BROADCAST TRANSM EQUIP NES					91,791	63495
63998	ELECTRONIC EQUIPMENT COMPONENTS NES			60		16,381	63998
68028	ELECTRIC LAMPS, BULBS & TUBES & PTS					167	68028
68039	TRANSFORMERS AND PARTS			260,062		10,712	68039
68049	SWITCHGEAR & PROTECT EQUIP & PT NES			27,016		2,377	68049
68069	WIRING DEVICES AND PARTS					100	68069

68079	CONVERTER EQUIPMENT AND PARTS					31,061	68079
69793	BATTERIES, WET CELL AND DRY CELL	NO	446	6,552	300	4,482	69793
70069	MEDICAL & REL. INSTR EQUIP & PT NES			1,179			70069
70079	LAB. OPTICAL INSTR. EQUIP & PTS NES			44,900		5,609	70079
70099	MEASURING & TESTING EQUIP & PTS NES					1,593	70099
74039	FURNITURE, SPECIAL PURPOSE N E S			4,576			74039
75059	HAND TOOLS N E S, INCLUDING SETS			660		1,589	75059
77121	CARD PUNCH SORT TAB COMPUTERS & PTS			411			77121
77148	TYPEWRITERS, ELECTRIC	NO	1	209	79	17,058	77148
77199	OFFICE MACHINES AND PARTS N E S			1,646		360,459	77199
81049	SILVERWARE AND GOLDWARE N E S			224			81049
87019	BIOLOGICAL PRODUCTS FOR HUMANS					262	87019
87099	MEDICINAL & PHARMACEUTICAL PROD NES					324	87099
88035	OPHTHALMIC LENSES	NO	9,818	2,622			88035
89039	BOOKS AND PAMPHLETS			1,153			89039
89090	ADVERTISING MATTER PRINTED N E S			464			89090
89099	PRINTED MATTER N E S			649		2,134	89099
94149	PREFAB. BLDG., STRUCTURES & PTS NES					42,534	94149
95075	SHIPPING CONTAINERS, TEXTILE					1,000	95075
96059	TEXTILE END PRODUCTS N E S			905			96059
97020	CONTRACTORS EQUIPMENT AND TOOLS					80,380	97020
97075	SHIPMENTS OF LESS THAN $100.00 EACH			2,356		3,629	97075
	COUNTRY TOTAL			2,948,474		16,488,859	

Source: Statistics Canada

TABLE III

ONTARIO DOMESTIC EXPORTS TO INDONESIA
BY COMMODITIES 1969 - 1970

COMMODITIES	VALUE $'000 1969	1970
Poultry		1.6
Cereals, Milled	593.1	2,038.9
Materials for Food Preparations	1.9	
Rubber Fabricated Materials		.3
Fine Paper		25.8
Other Petroleum and Coal Products	6.4	
Pipes and Tubes, Iron and Steel		6.7
Bolts, Nuts, etc. and Basic Hardware	3.4	14.5
Other Metal Fabricated Basic Products	.8	
Engines & Turbines, General Purpose		55.9
Electric Generators and Motors		22.0
Mechanical Power Transmission Equip. & Bearings	3.8	9.2
Other General Purpose Industrial Machinery	.3	
Conveying, Elevating, etc. Equipment	55.8	
Other Materials Handling Equipment		89.5
Drilling, Mining, Oil and Gas Machinery	2.4	.6
Woodworking Machinery		10.2
Other Special Industry Machinery	28.0	12.1
Soil Prep., Seeding and Fert. Machinery	4.0	6.1
Haying, Harvesting & Related Machinery	16.4	3.5
Passenger Automobile and Chassis	2.6	1,775.5
Truck and Truck Chassis		7,995.1
Other Road Motor Veh. Parts and Accessories	4.3	17.1
Ships and Boats	10.4	104.0
Aircraft	73.0	202.5
Other Vehicles		4.8
Commercial & Industrial Communication Equipment		11.3
Electric Lighting and Control Equipment	262.1	3.8
Other Electric Equipment and Appliances	6.6	4.5
Measuring, Laboratory, etc. Equipment	46.1	4.7
Hand Tools & Miscellaneous Cutlery	.7	1.2
Office Machines and Equipment	2.3	377.3
Medicinal & Pharmaceutical Products		.6
Medical Suppl. Ophthalmic Goods etc.	2.6	
Printed Matter	1.5	1.9
Other End Products, Classified by material	.9	
Special Transactions - Trade	.5	82.9
TOTAL FOR INDONESIA	1,129.6	12,884.5

Source: 1. Statistics Canada
2. Ontario Exports by Countries